



OTC 17783

Changing Dynamics in Deepwater Ownership

A. Herman, Chevron; W. McHolick, BHP Billiton Petroleum (Americas) Inc.; H. Haldorsen, Hydro Gulf of Mexico L.L.C.; J. Figueira, Petrobras; C. Weinbel, Cal Dive Intl.; and S. Khurana, J P Kenny Inc.

Copyright 2006, Offshore Technology Conference

This paper was prepared for presentation at the 2006 Offshore Technology Conference held in Houston, Texas, U.S.A., 1-4 May 2006.

This paper was selected for presentation by an OTC Program Committee following review of information contained in an abstract submitted by the author(s). Contents of the paper, as presented, have not been reviewed by the Offshore Technology Conference and are subject to correction by the author(s). The material, as presented, does not necessarily reflect any position of the Offshore Technology Conference, its officers, or members. Papers presented at OTC are subject to publication review by Sponsor Society Committees of the Offshore Technology Conference. Electronic reproduction, distribution, or storage of any part of this paper for commercial purposes without the written consent of the Offshore Technology Conference is prohibited. Permission to reproduce in print is restricted to an abstract of not more than 300 words; illustrations may not be copied. The abstract must contain conspicuous acknowledgment of where and by whom the paper was presented. Write Librarian, OTC, P.O. Box 833836, Richardson, TX 75083-3836, U.S.A., fax 01-972-952-9435.

Preface

This manuscript is intended to set the stage for a panel discussion, "Changing Dynamics in Deepwater Ownership", scheduled for Wednesday, May 3, 2006. The manuscript includes the white-paper input from participants of this panel, who are;

- Art Herman, Deepwater Project Supervisor, Chevron
- William McHolick, VP Americas Operations & Development, BHP Billiton Petroleum (Americas) Inc.
- Helge Haldorsen, President, Hydro Gulf of Mexico, L.L.C.
- João Figueira, Executive Manager, Petrobras
- Cory Weinbel, General Manager of Production Facilities, Cal Dive International
- Sandeep Khurana (Moderator), Project Manager-Subsea Systems, J P Kenny Inc.

Theme

As the balance of risks and costs has declined due to technology advancements and growing experience, the number of companies involved in the deepwater sector is growing rapidly. Owners, many of them focused on operator roles, have different interests based on their portfolio of deepwater fields. Farm-ins, joint ventures (JVs), and production-sharing contracts (PSCs) are very well defined in exploration, leading to equity ownership, but are lean on field development, project execution and construction of the facility, along with its future handling. Due to huge investments in developing deepwater fields and infrastructure, creative commercial arrangements such as facilities ownership by contractors, production contracts and transportation fee agreements are being considered. The owners compete and interact to ensure that they get the best leverage from their ownership in the field.

However, what impact does the involvement of a non-operating partner have on field development? Is it healthy or does it cause delays? The panel will debate various issues

regarding the alignment of operating and non-operating partners.

Some of the issues discussed will be:

- Differing corporate cultures;
- Vying for operatorship and its arrangements in different regions of the world;
- Influencing execution of field development and optimization for future use;
- Implementing new technology, specifically based upon experiences in a different part of the world;
- Integrated project team of owners vs. operator-managed project;
- Contrasts between international vs. GOM JV operating agreements.

Introduction

The number of players with equity ownership in deepwater and ultra-deepwater fields (D&UD) has exploded. Many national oil companies (NOCs) have become field partners outside their own countries and turned from resource holders to viable competitors to international oil companies (IOC). The high cost of deepwater infrastructure development has also brought many large contractors to the equity ownership table. This has created pressure for companies to manage collaborative relationships in a competitive landscape as well as their financial performance.

This manuscript identifies an ownership trend in D&UD fields, and presents a brief background on commercial arrangements among equity owners. It focuses on interaction among equity owners during the project development phase and briefly outlines the ongoing industry debate regarding partnership arrangements. Finally, the panelists' viewpoints on working successfully with equity holders are provided.

D&UD Ownership Trends

During the early 1990s, deepwater developments were a relatively lonely affair. Major oil companies took deepwater development as a campaign and a few independents took opportunistic leases to develop. Some examples are:

- In the U.S. Gulf of Mexico, some companies took the leadership in exploring deepwater as a campaign, as Shell did with its Mars and Mensa fields. Conoco attempted the deepwater Joliet field, using a tension leg platform (TLP), which might have drawn other companies' attention to sharing the risks in the D&UD Gulf of Mexico. Risk-taking independent Oryx (now Kerr-McGee) installed the Neptune spar, starting a wave of deepwater spar developments in the Gulf.